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1. At the last meeting of the SED Executive Committee, propaganda tactics to be used in connection with developments in western Germany were again the subject of discussion. "Praesidential democracy" as embodied in the Frankfurt Charter is to be discredited throughout Germany. The SED will publicize the fact that the western nations have placed Germans in responsible positions, thereby insuring that German freedom shall die at German hands; all German party leaders who cooperate at Frankfurt are traitors. Lower party officials whose thinking runs along nationalistic lines and who are in doubt as regards the bizonal government will be particularly affected by this type of reasoning. 25X1X
2. Otto Grotewohl stated that the meeting of the representatives of the United States, England, and France in London on 19 February will be concerned solely with the formation of an independent western German state. Discussions between these powers and the Soviet occupation authorities which appear to seek some other solution for the German problem are merely a ruse to gain time and do not represent a real attempt to reach agreement. This is particularly obvious in the case of currency reform. The Americans are seizing every possible means to block uniform currency reform. In devaluating the currency monopolistic capitalism wishes to protect the forces upon which it will have to rely in future European developments and to let the poorer classes bear the brunt of the reform. The Russians, however, have proposed that the effects of the reform be regulated according to the income of the individual and that the burden be placed upon banked capital and frozen assets of large industries. As a basis for planning at the London conference, the Americans intend to use information gathered on the matter in Control Council meetings. The bizonal bank will probably become the central finance institution in western Germany.
3. Grotewohl remarked that French resistance to a trizonal government had decreased within the last ten days and attributed this to probable concessions made by the other western powers on the question of the Ruhr area. Some ruling on the Ruhr will be made at the London conference; it will probably become an economic

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-2-

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dependency of American monopolistic capitalism. He went on to say that the SPD in Hannover had been silenced by Adenauer's offer to assume full responsibility for the formation of an independent western zonal government. Apparently SPD leaders are more willing to participate in such a government than they pretend. Within the next few days they will undoubtedly issue some statement which will enable the SED to point out that the SPD holds a large share of the guilt in the partition of Germany. The critical situation in the western CDU, particularly in the Bavarian CSU, must be observed closely and, whenever possible, used to the advantage of the Communist Party.

4. Walter Ulbricht stated that material would be released to the press within a few days on factories which have failed to fill their quotas. The names of persons responsible, particularly of those who are CDU and LDP members, will be listed.

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